

Message Text

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ACTION SS-15

INFO OCT-01 NEA-10 ISO-00 MC-02 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 USIA-06

EB-07 NRC-05 TRSE-00 ERDA-05 COME-00 ACDA-05 AID-05

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FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 3495

C O N F I D E N T I A L ABU DHABI 2204

E.O. 11652: GDS

TAGS : MASS, TC

SUBJECT : MUNITIONS CONTROL AND AGENTS FEES

REF: STATE 255260

1. UAE EXPERIENCE WITH PURCHASES OF AMERICAN ARMS--WHETHER FMS OR COMMERCIAL--IS VERY LIMITED TO DATE. THERE HAVE BEEN NO FMS SALES AS YET, AND ONLY MAJOR COMMERCIAL CONTRACT TO DATE HAS BEEN PURCHASE BY ABU DHABI DEFENSE FORCE OF TWO C-130'S FROM LOCKHEED, WITH POSSIBILITY THAT ADDF MAY DECIDE TO PURCHASE TWO MORE. COMMENTS BELOW ARE THEREFORE NOT BASED SO MUCH ON ACTUAL EXPERIENCE AS ON SPECULATION AS TO LIKELY LOCAL EFFECT OF PROPOSED EXECUTIVE BRANCH REGULATIONS CITED REFTEL AND POSSIBLE NEW CONGRESSIONAL LEGISLATION DIRECTED AT THIS PROBLEM.

2. AS REFTEL CORRECTLY POINTS OUT, ATTITUDE OF PURCHASING GOVERNMENT IS KEY TO THIS PROBLEM. FOR USG TO ATTEMPT TO IMPOSE ON OUR FIRMS A MORE ETHICAL STANDARD THAN PURCHASING GOVERNMENT ITSELF BRINGS TO BEAR WOULD ONLY RESULT IN LOSS OF SALES FOR THESE FIRMS. ATTITUDE OF AUTHORITIES HERE IS TOTALLY PERMISSIVE WITH RESPECT TO AGENTS FEES (INDEED IT IS FREQUENTLY THE GOVERNMENT OFFICIALS THEMSELVES WHO ACT AS AGENTS) AND IN THIS RESPECT NO DISTINCTION WOULD BE MADE BETWEEN SACK
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OF CEMENT AND M-16 RIFLE. IDENTITY OF AGENTS WOULD OF COURSE

BE KNOWN TO PURCHASING GOVERNMENT, BUT PURCHASING GOVERNMENT HERE WOULD NOT EXPECT BY RIGHT TO KNOW WHAT AGENT'S FEES WERE. WE HEAR THAT IN CASE OF OTHER ARMS SUPPLIERS HERE--MAINLY THE BRITISH AND THE FRENCH--MAJOR PAYOFFS HAVE BEEN PART OF THE DEAL, AND SOME OF THESE HAVE GONE TO TOP-RANKING OFFICERS AND SHAIKHS IN CHARGE OF ADDF.

3. FOR THE AGENT IT WOULD BE SOURCE OF EMBARRASSMENT FOR HIM TO BE REQUIRED BY THE SELLER TO INFORM HIS OWN GOVERNMENT OF THE PRECISE FEE HE WAS GETTING, AND IT IS OUR VIEW THAT IF THESE CONDITIONS WERE IMPOSED UPON HIM THERE WOULD BE NUMBER OF CASES WHERE AMERICAN FIRMS WOULD NOT BE ABLE TO MAKE CONNECTION WITH THE BEST AGENTS AVAILABLE. WE HAD CASE NOT SO LONG AGO IN DUBAI WHERE US FIRM BROUGHT TO RULER'S ATTENTION EXCESSIVE PADDING WHICH LOCAL MIDDLEMAN HAD SOUGHT TO PUT IN CONTRACT TO TAKE CARE OF HIMSELF. RESULT WAS THAT US FIRM LOST OUT TO BRITISH FIRMS WHICH HAD NO SUCH SCRUPLES, WHILE MIDDLEMAN IS STILL CONTROLLING PROJECT.

4. IT SEEMS TO US THEREFORE THAT WHILE HAVING REQUIREMENT FOR DISCLOSURE TO PURCHASING GOVERNMENT OF AMOUNTS OF AGENT'S FEE MIGHT BE APPROPRIATE--OR AGAINST DO LITTLE DAMAGE--IN

CASE OF DIRECT GOVERNMENT-TO-GOVERNMENT (FMS) SALES, IN CASE OF COMMERCIAL SALES IT COULD PLACE US FIRMS AT A DECIDED DISADVANTAGE IN COMPETING WITH THEIR EUROPEAN COMPETITORS FOR SALES HERE.

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